THE Figaro Coffee Group

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS

The Management of **FIGARO COFFEE GROUP, INC.** is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, as at June 30, 2022 and 2021 and each for the three years in the period ended June 30, 2022, in accordance with the Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, Management is responsible for assessing the Parent Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Parent Company's financial reporting process.

The Board of Directors reviews and approves the separate financial statements, including the schedule attached therein, and submits the same to the stockholders.

R.S. Bernaldo & Associates, the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JUSTIN T. LIU
Chairman of the Board

DIVINA GRACIA G. CABULOY
President/Chief Executive Officer

For
JOSE PETRONIO D. ESPAÑOL III
Treasurer/ Chief Finance Officer

SUBSCRIBED AND SWORN TO BEFORE ME
This ___ day of OCT 14 2022 in MANDALUYONG CITY

ATTY. MARIA CRISTINA A. TAN
NOTARY PUBLIC - MANDALUYONG CITY
UNIT 6 GROUND FLOOR G SQUARE ARCADE
451 BARANGKA DRIVE MANDALUYONG CITY
PTR NO. 4862731 01.03.2022 MANDALUYONG CITY
IBP LIFETIME NO. 010342
ROLL NO. 58573
APPOINTMENT NO. 0827-21
COMMISSION EXPIRES ON 12.31.2022
MCLE COMPLIANCE NO. VII - 0004477 issued on 08.21.2021

Doc. No. 075
Page No. 008
Book No. IX
Series of 2022

THE Figaro Coffee Group

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **FIGARO COFFEE GROUP, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended June 30, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value added tax and/ or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended June 30, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of **FIGARO COFFEE GROUP, INC.**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) the **FIGARO COFFEE GROUP, INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

JUSTIN T. LIU
Chairman of the Board

JOSE PETRONIO D. ESPAÑOL III
Treasurer/ Chief Finance Officer

SUBSCRIBED AND SWORN TO BEFORE ME this ___ day of OCT 14 2022 in MANDALUYONG CITY

ATTY. MARIA CRISTINA A. TAN
NOTARY PUBLIC - MANDALUYONG CITY
UNIT 6 GROUND FLOOR G SQUARE ARCADE
451 BARANGKA DRIVE MANDALUYONG CITY
PTR NO. 4862731 01.03.2022 MANDALUYONG CITY
IBP LIFETIME NO. 010342
ROLL NO. 58573
APPOINTMENT NO. 0527-21
COMMISSION EXPIRES ON 12.31.2022
MCLE COMPLIANCE NO. VII - 0004177 issued on 08.21.2021

Doc. No. 014
Page No. 008
Book No. IX
Series of 2022

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201811119

Company Name

FIGARO COFFEE GROUP, INC.

Principal Office (No./Street/Barangay/City/Town)Province)

116 EAST MAIN AVE. PHASE V-SEZ LAGUNA TECHNOPARK, BIÑAN, LAGUNA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
corporate@figaro.ph	8.671-4232	0917-8832172

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
		6/30

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
SIGRID VON DE JESUS	corporate@figaro.ph	8.671.4232	0917-8832172

Contact Person's Address

Note: 1: In case of death, resgination or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/ or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
FIGARO COFFEE GROUP, INC.
116 E. Main Avenue, Phase V, SEZ Laguna Technopark
Binan, Laguna

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the Separate Financial Statements of **FIGARO COFFEE GROUP, INC.** (the "Company"), which comprise the separate statements of financial position as at June 30, 2022 and 2021, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the periods then ended, and notes to the Separate Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at June 30, 2022 and 2021, and its separate financial performance and its separate statements of cash flows for each of the three years in the period ended June 30, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the Separate Financial Statements in Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters, if any.

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the Separate Financial Statements in accordance with PFRSs, and for such internal control as Management determines is necessary to enable the preparation of Separate Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Separate Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the Separate Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Separate Financial Statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the Separate Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Separate Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Separate Financial Statements, including the disclosures, and whether the Separate Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audits of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is **ROMEO A. DE JESUS, JR.**

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group A Accredited
Accreditation No. 86071-SEC
Valid until 2024 audit period
BIR Accreditation No. 08-004744-001-2021
Valid from January 25, 2021 until January 24, 2024
Tax Identification No. 109-227-897
PTR No. 8855247
Issued on January 5, 2022 at Makati City

October 12, 2022

FIGARO COFFEE GROUP, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION
June 30, 2022, 2021 and 2020

(In Philippine Peso)

	NOTES	2022	2021
A S S E T S			
Current Assets			
Cash	6	**2,183,916**	-
Advances to related parties	10	**718,900,455**	67,872,936
Deferred input VAT	7	**62,229**	40,800
		721,146,600	67,913,736
Non-current Asset			
Investment in a subsidiary	8	**441,565,564**	441,565,564
TOTAL ASSETS		**1,162,712,164**	509,479,300
LIABILITY AND STOCKHOLDERS' EQUITY			
L I A B I L I T Y			
Current Liability			
Accrued professional fee	9	**580,800**	380,800
TOTAL LIABILITY		**580,800**	380,800
S T O C K H O L D E R S ' E Q U I T Y			
Capital Stock	11	**464,818,700**	322,500,500
Additional Paid-in Capital	11	**697,831,235**	186,938,000
Deficit		**(518,571)**	(340,000)
TOTAL STOCKHOLDERS' EQUITY		**1,162,131,364**	509,098,500
TOTAL LIABILITY AND STOCKHOLDERS' EQUITY		**1,162,712,164**	509,479,300

(See Notes to Separate Financial Statements)

FIGARO COFFEE GROUP, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended June 30, 2022, 2021 and 2020

(In Philippine Peso)

	NOTE	**2022**	2021	2020
PROFESSIONAL FEES		**178,571**	100,000	80,000
LOSS		**178,571**	100,000	80,000
BASIC LOSS PER SHARE	13	**0.00**	0.00	0.00

(See Notes to Separate Financial Statements)

FIGARO COFFEE GROUP, INC.
SEPARATE STATEMENTS OF CHANGES IN EQUITY
For the Years Ended June 30, 2022, 2021 and 2020
(In Philippine Peso)

	Note	Capital Stock	Additional Paid-in Capital	Deficit	Total
Balance at July 1, 2019	11	9,375,500	-	(160,000)	**9,215,500**
Loss				(80,000)	**(80,000)**
Balance at June 30, 2020	11	**9,375,500**	**-**	**(240,000)**	9,135,500
Loss				(100,000)	**(100,000)**
Issuance of shares	11	313,125,000	186,938,000		**500,063,000**
Balance at June 30, 2021	11	**322,500,500**	**186,938,000**	**(340,000)**	509,098,500
Loss				(178,571)	**(178,571)**
Issuance of shares	11	142,318,200	510,893,235		**653,211,435**
Balance at June 30, 2022	11	**464,818,700**	**697,831,235**	**(518,571)**	**1,162,131,364**

(See Notes to Separate Financial Statements)

FIGARO COFFEE GROUP, INC.
SEPARATE STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022, 2021 and 2020
(In Philippine Peso)

	NOTES	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax		**(178,571)**	(100,000)	(80,000)
Operating cash flows before changes in working capital		**(178,571)**	(100,000)	(80,000)
Increase in deferred input VAT		**(21,429)**	(12,000)	(9,600)
Increase in accrued professional fee		**200,000**	112,000	89,600
Net cash from operating activities		**-**	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances collected from related parties	10	**67,872,936**	75,877,564	-
Payment for investment in a subsidiary	8	**-**	(441,565,564)	-
Advances given to related parties	10	**(718,900,455)**	(134,375,000)	-
Net cash used in investing activities		**(651,027,519)**	(500,063,000)	-
CASH FLOW FROM A FINANCING ACTIVITY				
Proceeds from issuance of capital stock	11	**653,211,435**	500,063,000	-
Net cash from financing activities		**653,211,435**	500,063,000	-
NET INCREASE IN CASH		**2,183,916**	-	-
CASH AT BEGINNING OF YEAR		**-**	-	-
CASH AT END OF YEAR		**2,183,916**	-	-

(See Notes to Separate Financial Statements)

FIGARO COFFEE GROUP, INC.
NOTES TO SEPARATE FINANCIAL STATEMENTS
June 30, 2022, 2021 and 2020

1. CORPORATE INFORMATION

Figaro Coffee Group, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 6, 2018. The principal activities of the Company are to process, manufacture, and package all kinds of food products; to establish, invest, develop, operate and maintain restaurants, coffee shops, and refreshment parlors; to serve, arrange and cater foods, drinks, refreshments and other food or commodities; to partner and/or collaborate with other players in the food industry for the management and operation of food establishments; to acquire, invest, organize, develop, promote, or otherwise undertake the management and operation of commercial franchises in the food industry; to provide facilities and commissaries and perform all other activities and services incidental thereto, necessary or desirable in relation thereto, and offer and sell to public such products, franchises, services other operation thereof, and to own shares in companies which are in furtherance of its purposes, and to guarantee for and in behalf of the Corporation obligations of other corporations or entities in which it has lawful interest in.

On October 22, 2021, the SEC approved the Company's application for amendment of its articles of incorporation to reflect the following primary purpose: invest in, purchase, or otherwise acquire and own, hold, use, sell assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been recognized and to pay thereof in money or by exchanging therefor stocks, bonds or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts, or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including all voting powers of any stock so owned; to carry on, provide support and manage the general business of any corporation, company, association or joint venture; to exercise such powers, acts or functions as may be essential or necessary to carry out the purpose stated herein; and to guarantee for and in behalf of the Corporation obligations of other corporations or entities in which it has lawful interest in.

On March 31, 2021, the Company's Board of Directors and Stockholders approved the following:

a. The Company's change in registered office address from No. 33 Mayon St., Brgy. Malamig, Mandaluyong City, Metro Manila, Philippines to 116 E. Main Avenue, Phase V, SEZ Laguna Technopark, Binan, Laguna.

b. The Company's change in reporting period from calendar year to fiscal year which shall begin on the first day of July and end on the last day of June.

The change in registered office address and reporting period was approved by SEC on June 23, 2021.

On March 31, 2021, the Company's Board of Directors and Stockholders approved: (a) increase in authorized capital stock from ₱150,000,000 to ₱500,000,000; and (b) the stock split through the reduction of the par value of the shares of the Company from ₱100.00 per share to ₱0.10 per share. SEC approved the Company's application to increase authorized capital stock on June 23, 2021.

On September 16, 2021, the Securities and Exchange Commission approved the Company's increase in authorized capital stock to ₱660,000,000 divided into 6,600,000,000 shares with a par value of ₱0.10 per share.

At incorporation, Camertheus Holdings, Inc. (CHI) subscribed to ₱37,500,000 worth of shares in the Parent Company. Out of such subscription, ₱9,375,000 had been paid by CHI at incorporation of the Parent Company. During the period, CHI fully paid its subscription receivable amounting to ₱28,125,000.

Camerton, Inc. (CI) subscribed to the following shares of the Company:

a. In support of the application for increase in authorized capital stock, Camerton, Inc. (CI), on March 31, 2021, subscribed to 1,250,000,000 shares of the Parent Company for a total subscription price of ₱125,000,000. The subscribed shares were fully paid and issued June 22, 2021.

b. On June 20, 2021, the board of the Company approved the additional paid-in capital in the amount of ₱83,138,000 paid by CI into the Parent Company.

c. 1,250,000,000 shares with par value of ₱0.10 per share for a total subscription price of ₱228,800,000, or ₱0.18304 price per share. The said subscription resulted to an additional capital stock of ₱125,000,000 and additional paid-in capital of ₱103,800,000 in the Parent Company; and

d. 350,000,000 shares of the Parent Company with par value of ₱0.10 per share for a total subscription price of ₱35,000,000.

As of June 30, 2021, the outstanding capital of the Company is ₱322,500,500 (excluding the additional paid-in capital of ₱186,938,000 with 3,225,005,000 shares issued).

As of June 30, 2021, the Company is 88.37% owned by Camerton, Inc. and 11.63% owned by Carmetheus Holdings, Inc.

As of June 30, 2021, the Company is in the process of compiling with the requirements to file Registration Statement with SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "SRC") for the registration of all the issued and outstanding Shares of the Company and the Offer Shares.

On January 24, 2022, the Company completed its Initial Public Offering (IPO) and was listed in the Philippine Stock Exchange (PSE) under stock symbol "FCG." The Company issued 93,016,000 common shares for a total consideration of ₱69,762,000 or at ₱0.75 per share. This resulted to an additional issuance of capital stock of 1,423,182,003 with par value of ₱0.10 per share for a total of ₱142,318,200.

As of June 30, 2022, the outstanding capital of the Company is ₱464,818,700 (excluding the additional paid-in capital of ₱697,831,235 with 4,648,187,003 shares issued).

As of June 30, 2022, the Company is 69.94% owned by Camerton, Inc. and 8.07% owned by Carmetheus Holdings, Inc.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs Applied with No Material Effect on the Separate Financial Statements

The following new and revised PFRSs have also been adopted in these separate financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to PFRS 16, COVID-19-Related Rent Concessions beyond June 30, 2022

  The following are the amendments to PFRS 16:

  - permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2022);
  - require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2022;
  - require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
  - specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

  The amendments are effective for annual reporting periods beginning on or after April 1, 2022.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The following are the amendments in reference to the conceptual framework:

  - update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of 1989 Framework;
  - add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS 37 or IFRIC 21, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - add to PFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*

  The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

  The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. An entity applies the amendments retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

- Amendments to PAS 37*, Onerous Contracts - Cost of Fulfilling a Contract*

  The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

  The amendments are effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

- Annual Improvements to PFRS Standards 2018-2021 Cycle

  <u>Amendments to PFRS 1, *Subsidiary as a first-time adopter*</u> - The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative

translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities* - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to PFRS 16, *Lease Incentives* - The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Amendments to PAS 41, *Taxation in fair value measurements* - The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the separate financial statements.

2.02.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  The amendments to PAS 1 are the following:

  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments defer the effective date of the January 2021 Classification of Liabilities as Current or Non-Current (Amendments to PAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2021 amendments continues to be permitted.

- Amendments to PAS 8, Definition of Accounting Estimates

  The definition of accounting estimates has been amended as follows: accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

  The amendment also clarifies the following:

  - Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

  - A change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

  - A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period., with earlier application permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies

  The amendments to PAS 1 are the following:

  - an entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
  - several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

  The amendments also clarify the following:

  - accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
  - if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, PFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to PAS 1.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

- Amendment to PAS 12, "Deferred tax related to assets and liabilities arising from a single transaction"

  The amendments introduce an exception to the initial recognition exemption (IRE) in PAS 12. Additional exclusions have been added to the IRE, detailed in paragraphs 15(b)(iii) and 24(c) for deferred tax liabilities and assets respectively. The effects of these amendments essentially mean that the IRE is not available for transactions which involve the recognition of both an asset and liability – which in turn leads to equal and opposite temporary differences – such that deferred taxes are calculated and booked for both temporary differences, both at initial recognition and subsequently. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  The initial recognition exemption was initially included within PAS 12 to prevent a lack of reporting transparency for transactions which are not business combinations and, at the time of the transaction, do not affect either accounting or taxable profits. Under this exemption, deferred tax assets/liabilities would neither be recognized at initial recognition of the underlying asset/liability, nor subsequently.

  The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the amendments also apply to taxable and deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early application of the amendments is permitted.

- PFRS 17, *Insurance Contracts*

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

PFRS 17 is effective for annual periods beginning on or after January 1, 2025. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 17, *Insurance Contracts*

  The amendments cover the following areas:

  - Insurance acquisition cash flows for renewals outside the contract boundary;
  - Reinsurance contracts held—onerous underlying insurance contracts;
  - Reinsurance contracts held—underlying insurance contracts with direct participation features; and
  - Recognition of the contractual service margin in profit or loss in the general model.

  The amendments are affective to annual reporting periods beginning on or after January 1, 2025.

- Amendment to PFRS 17, "Initial Application of PFRS 17 and PFRS 9—Comparative Information"

  The amendment is a transition option relating to comparative information about financial assets presented on initial application of PFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and Insurance contract liabilities, and therefore Improve the usefulness of comparative information for users of financial statements.

  PFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after January 1, 2025.

2.02.02 Deferred

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF SEPARATE FINANCIAL STATEMENTS

3.01 Statement of Compliance

The separate financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost.

3.02 Functional and Presentation Currency

Items included in the separate financial statements of the Company are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company chose to present its separate financial statements using its functional currency.

3.03 Basis of Preparation

These separate financial statements were based from the Company's own transactions, exclusive of transactions of its subsidiary, the latter transactions are being used in the preparation of the consolidated financial statements, which are also available for public use.

The accompanying separate financial statements of the Company have been prepared on a historical cost basis. The Company's separate financial statements are presented in Philippine Peso, the Company's functional and presentation currency, and all values are rounded to the nearest Peso except when otherwise stated.

3.04 Current and Non-current Presentation

The Company classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve (12) months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;

- The liability is due to be settled within twelve (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its separate financial statements are enumerated below and are applied to the period presented, unless otherwise stated.

4.01 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value the Company takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Company considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

A fair value measurement assumes that a financial or non-financial liability or an entity's own equity instruments (e.g. equity interests issued as consideration in a business combination) is transferred to a market participant at the measurement date. The transfer of a liability or an entity's own equity instrument assumes the following:

- A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Financial Assets

4.02.01 Initial Recognition and Measurement

The Company recognizes a financial asset in its separate statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Except for trade receivables that do not have a significant financing component, at initial recognition, the Company measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset,

4.02.02 Classification

➢ Financial Asset at Amortized Cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial asset at amortized cost includes advances to related parties only.

Advances to related parties

Advances to related parties are measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Company has no financial assets measured at fair value either through profit or loss or other comprehensive income in both years.

4.02.03 Reclassification

When, and only when, the Company changes its business model for managing financial assets, it shall reclassify all affected financial assets in accordance with Note 4.02.02. If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Company shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.02.04 Effective Interest Method

Finance income is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.02.05 Impairment

The Company measures expected credit losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company adopted the general approach in accounting for impairment.

➢ General Approach

The Company applies general approach to advances to related parties. At each reporting date, the Company measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

However, if the credit risk has not increased significantly, the Company measures the loss allowance equal to 12-month expected credit losses.

The Company compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

The Company determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

The Company did not apply the 30 days past due rebuttable presumption because the Company determines that there have been no significant increases in credit risk even if collections before contractual payments are more than 30 days past due.

If the Company has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The Company performs the assessment of significant increases in credit risk on an individual basis.

The Company did not apply the 90 days past due rebuttable presumption in determining whether a financial asset is credit-impaired or not. The Company determines that financial asset is credit-impaired if it became past due for more than one (1) year.

The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the counterparty;
- A breach of contract, such as a default or past due event;
- The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.02.06 Derecognition

The Company derecognizes a financial asset when, and only when the contractual rights to the cash flows the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.02.07 Write-off

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.03 Deferred Input VAT

Deferred input VAT arises from the purchase of goods or services. This is recognized as input VAT upon receipt of official receipts and applied against output VAT. The remaining balance is recoverable in future periods. This is carried at cost less allowance for impairment loss, if any. Impairment loss is recognized when input VAT can no longer be recovered.

4.04 Investment in a Subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, which is controlled by another entity known as parent. Control is the exposure or rights, to variable returns from the involvement with an investee and the ability to affect those returns through its power over an investee.

Investment in a subsidiary is accounted under the cost method. Under the cost method, the Company recognizes as income the dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition by the investor. Dividends received that are in excess of the earnings subsequent to the date of acquisition are not income and therefore considered as return or reduction of investment.

If the Company loses control of a subsidiary, the Company recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost or recognizes any resulting difference as a gain or loss in profit or loss attributable to the Company.

4.05 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets other than financial assets that are within the scope of PFRS 9, *Financial Instruments* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

4.06 Financial Liabilities

4.06.01 Initial Recognition and Measurement

The Company recognizes a financial liability in its separate statements of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

At initial recognition, the Company measures a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.06.02 Classification

The Company classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Company's financial liability measured at amortized cost includes accrued professional fees only.

The Company has no financial liabilities at fair value through profit or loss.

4.06.03 Derecognition

An entity shall remove a financial liability (or part of a financial liability) from its separate statements of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expires).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

4.07 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

4.08 Offsetting of Financial Instruments

Financial assets and liabilities are offset, and the net amount is reported in the separate statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.09 Employee Benefits

4.09.01 Short-term Employee Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. The Company has no employees as of the end of the reporting period. The Company shall provide salaries and other benefits and SSS, PHIC, HDMF and other contributions to its future employees.

4.10 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

The Company recognizes expenses in the separate statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.11 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its separate financial statements. A person or a close member of that person's family is related to Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.12 Taxation

Income tax expense represent deferred tax.

4.12.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.13 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.14 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the separate financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the separate financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to separate financial statements when material.

4.15 Changes in Accounting Policies

The adoption of the new and revised standards and interpretations as disclosed in Note 2.01 was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgment in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in separate financial statements.

5.01.01 Assessment of Contractual Terms of a Financial Asset

The Company determines whether the contractual terms of a financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgement, the Company considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with the basic lending arrangement. The Company's financial assets amounted to ₱718,900,455 and ₱67,872,936 as of June 30, 2022 and 2021, as disclosed in Note 15.01.

5.01.02 Assessment of Control

The Company determines whether an entity qualifies as a subsidiary when it has control over an entity. The Company controls an entity when it has the three elements of control as disclosed in Note 4. In making its judgments, the Company considers all facts and circumstances when assessing control over an investee. A reassessment of control is conducted when there are changes to one or more of the three elements of control. Any changes from at least one of the elements would result to lose or gain of control over an entity.

The Company having 100% ownership and voting interest assessed that it has control over its subsidiary, Figaro Coffee Systems Inc., since it has power over the subsidiary, exposure or rights to variable returns from its involvement and ability to use its power to affect the component of its returns. The carrying amount of investment in a subsidiary amounted to ₱441,565,564 as of June 30, 2022 and 2021, as disclosed in Note 8.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Estimating Allowance for Expected Credit Losses of Financial Assets

The Company evaluates the expected credit losses related to its financial assets based on an individual assessment and current and forecast information.

The Company assessed that there is no expected credit losses on its advances to related parties by considering the following:

- No historical default experience.
- Macro-economic factors such as GDP, interest rate, inflation rates including the industry and financial information of the Company's creditors indicates no significant increase in the credit risk.

Therefore, the Management did not recognize provision on expected credit losses on its advances to related parties, as disclosed in Note 9. The carrying amount of the Company's financial asset amounted to ₱718,900,455 and ₱67,872,936 as of June 30, 2022 and 2021, as disclosed in Note 15.01.

5.02.02 Asset Impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of deferred input VAT and investment in subsidiary, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets requires the Company to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

Management determined that there was no indication of impairment that occurred on deferred input VAT and investment in a subsidiary. As of June 30, 2022 and 2021, the carrying amounts of aforementioned assets amounted to ₱441,627,793 and ₱441,606,364, as disclosed in Notes 7 and 8.

5.02.03 Deferred Tax Assets

The Company reviews the carrying amounts at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

Management believed that the Company will not generate sufficient taxable profit to allow all or part of its deferred tax asset to be utilized. As such, the Company's unrecognized deferred tax asset amounted to ₱89,643 and ₱65,000 as of June 30, 2022 and 2021, respectively, as disclosed in Note 12.

6. CASH

For the purpose of the statements of cash flows, cash include cash on hand only.

Cash at the end of each reporting period as shown in the statements of cash flows that can be reconciled to the related items in the statements of financial position amounted to ₱2,183,916 and nil as of June 30, 2022 and 2021, respectively.

7. DEFERRED INPUT VAT

The Company's deferred input VAT from professional fee amounted to ₱62,229 and ₱40,800, as of June 30, 2022 and 2021, respectively.

8. INVESTMENT IN A SUBSIDIARY

Details of the Company's subsidiary are as follows:

Subsidiary	Principal Activities	Country of Incorporation	Percentage of Voting and Ownership Interest	
			2022	2021
Figaro Coffee Systems Inc.	Food business including but not limited to operation of retail food stores and restaurants	Philippines	**100%**	**100%**

The carrying amount of the Company's investment in subsidiary amounted to ₱441,565,564 as of June 30, 2022 and 2021, respectively.

The voting interest on the investment is equal to its right to ownership.

In both years, no impairment loss was recognized on investment in a subsidiary.

The summarized financial information of the subsidiary as of and for the periods ended June 30, 2022 and 2021 is as follows:

	2022	2021
Total assets	₱ **1,445,451,784**	₱ 966,728,621
Total liabilities	**572,069,130**	690,902,388
Net assets	**873,382,654**	275,826,233
Revenue	**2,397,089,485**	862,986,583
Direct costs	**1,242,315,613**	410,614,771
Operating expense	**658,507,607**	293,714,005
Finance cost	**1,608,491**	488,136
Profit before tax	**123,739,626**	158,169,671

On June 21, 2021, F Coffee Holdings Corporation, the 'Seller' agreed to sell and the Company, the 'Buyer' agreed to buy, all the seller's rights, title and interests to a total of 2,500 common shares with a par value of ₱50.00 per share or an aggregate par value of ₱125,000 of Figaro Coffee Systems, Inc. (FCSI) for and in consideration of ₱1,851.0256 per share or total purchase price of ₱4,627,564.

On June 23, 2021, FCGI subscribed 7,500 shares of the Company at ₱27,751.73 per share resulting to issuance of shares amounting to ₱375,000 and additional paid-in capital of ₱207,763,000.

On June 27, 2021, the Company subscribed additional 4,576,000 shares of FCSI at ₱50.00 par value resulting to capital stock of ₱228,800,000.

As of June 30, 2021, FCSI became wholly-owned subsidiary of the Company.

9. ACCRUED PROFESSIONAL FEES

The Company's accrued professional fees amounted to ₱580,800 and ₱380,800, as of June 30, 2022 and 2021, respectively.

10. RELATED PARTY TRANSACTIONS

Nature of relationship of the Company and its related party are disclosed below:

Related Parties	**Nature of Relationship**
Carmetheus Holdings, Inc. (CHI)	Ultimate Parent
Camerton, Inc. (CI)	Parent
Figaro Coffee Systems, Inc.	Subsidiary
Stockholders	Key Management Personnel

Balances and transactions between the Company and its related parties are disclosed below:

10.01 Advances to related parties

Balance of advances to related parties as shown in the separate statements of financial position are summarized per category as follows:

10.01.01 Ultimate Parent

The Company collected advances amounting to nil and ₱9,375,500 in 2022 and 2021, respectively.

The amounts outstanding are non-interest bearing, unsecured, will be settled in cash and collectible on demand. No guarantees have been received. No provisions have been made for expected credit loss in respect of the amounts owed by related parties.

10.01.02 Parent

Transactions with parent are as follows:

	June 30, 2022		June 30, 2021	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
CI				
Advances	**₱ 718,900,455**	**₱ 718,900,455**	₱ 134,375,000	₱ 67,872,436

The Company collected advances amounting to ₱67,872,436 and ₱66,502,564 in 2022 and 2021, respectively.

The amounts outstanding are unsecured, non-interest bearing, collectible on demand and will be settled in cash. No guarantees have been received in respect of the amounts owed by related party. No provisions have been made for expected credit losses in respect of the amounts owed by a related party.

10.01.03 Key Management Personnel

Transactions with key management personnel are as follows:

	June 30, 2022		June 30, 2021	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Stockholders				
Advances	**₱ -**	**₱ -**	₱ -	₱ 500

The Company collected advances amounting to ₱500 in 2022 and 2021, respectively.

The amounts outstanding are unsecured, non-interest bearing, collectible on demand and will be settled in cash or through offsetting. No guarantees have been received in respect of the amounts owed by related party. No provisions have been made for expected credit losses in respect of the amounts owed by a related party.

10.02 Remuneration of Key Management Personnel

There was no remuneration given to key management personnel in both periods.

10.03 Revenue Regulations No. 34 – 2020

The Company is not covered by the requirements and procedures for related party transactions provided in RR 34-2020.

11. CAPITAL STOCK

The issued capital of the Company are as follows:

		2022		2021
Capital stock	₱	**464,818,700**	₱	322,500,500
Additional paid-in capital		**697,831,235**		186,938,000
	₱	**1,162,649,935**	₱	509,438,500

Shown below are the details on the movements of ordinary shares.

	2022			2021		
	Shares		**Amount**	Shares		Amount
Authorized						
₱0.10 par value per share	**6,600,000,000**	₱	**660,000,000**	5,000,000,000	₱	500,000,000
Issued and fully paid						
Balance, beginning	**3,225,005,000**		**322,500,500**	93,755,000		9,375,500
Additional issuance	**1,423,182,003**		**142,318,200**	3,131,250,000		313,125,000
Balance, end	**4,648,187,003**	₱	**464,818,700**	3,225,005,000	₱	322,500,500

11.01 Increase in authorized capital stocks

On March 31, 2021, the Parent Company's Board of Directors and Stockholders approved: (a) the increase in authorized capital stock from ₱150,000,000 to ₱500,000,000; and (b) the stock split through the reduction of par value of the shares of the Company from ₱100.00 per share to ₱0.10 per share. SEC approved the Company's application to increase authorized capital stock of June 23, 2021.

On September 16, 2021, the Securities and Exchange Commission approved the Company's increase in authorized capital stock to ₱660,000,000 divided into 6,600,000,000 shares with a par value of ₱0.10 per share.

11.02 Issuance of Shares

At incorporation, Camertheus Holdings, Inc. (CHI) subscribed to ₱37,500,000 worth of shares in the Company. Out of such subscription, ₱9,375,000 had been paid by CHI at incorporation of the Company. During the period, CHI fully paid its subscription receivable amounting to ₱28,125,000.

Camerton, Inc. (CI) subscribed to the following shares of the Company:

a. In support of the application for increase in authorized capital stock, CI, on March 31, 2021, subscribed to 1,250,000,000 shares of the Company for a total subscription price of ₱125,000,000. The subscribed shares were fully paid and issued on June 22, 2021.

b. On June 20, 2021, the board of the Company approved the additional paid-in capital in the amount of ₱83,138,0000 paid by CI into the Parent Company.

c. 1,250,000,000 shares with par value of ₱0.10 per share for a total subscription price of ₱228,800,000, or ₱0.18304 price per share. The said subscription resulted to an additional capital stock of ₱125,000,000 and an additional paid-in capital of ₱103,800,000 in the Company; and

d. 350,000,000 shares of the Company with par value of ₱0.10 per share for a total subscription price of ₱35,000,000.

As of June 30, 2021, the outstanding capital of the Company is ₱322,500,500 (excluding the additional paid-in capital of ₱186,938,000 with 3,225,005,000 shares issued).

As of June 30, 2021, the Company is 88.37% owned by Camerton, Inc. and 11.63% owned by Carmetheus Holdings, Inc.

On January 24, 2022, the Company completed its IPO and was listed in the PSE under stock symbol "FCG." The Company issued 93,016,000 common shares for a total consideration of ₱69,762,000 or at ₱0.75 per share. This resulted to an additional issuance of capital stock of 1,423,182,003 with par value of ₱0.10 per share for a total of ₱142,318,200.

As of June 30, 2022, the outstanding capital of the Company is ₱464,818,700 (excluding the additional paid-in capital of ₱697,831,235 with 4,648,187,003 shares issued).

As of June 30, 2022, the Company is 69.94% owned by Camerton, Inc. and 8.07% owned by Carmetheus Holdings, Inc.

11.03 Track record of registration of securities under the Securities Regulation Code

As of June 30, 2021, the Company is in the process of compiling with the requirements to file Registration Statement with SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "SRC") for the registration of all the issued and outstanding Shares of the Company and the Offer Shares.

The number of shares to be registered, issue/offer price and the approval or date when the registration statement covering such securities was rendered effective by the Commission, and the number of holders of such securities is to be determined.

On January 24, 2022, the Company completed its IPO and was listed in the PSE under stock symbol "FCG." The Company issued 93,016,000 common shares for a total consideration of ₱69,762,000 or at ₱0.75 per share.

12. INCOME TAXES

The Company's income tax expenses amounted to nil in both years.

A numerical reconciliation between tax benefit and the product of accounting loss multiplied by the tax rate in 2022, 2021 and 2020 is as follows:

		2022		2021		2020
Accounting loss	₱	**178,571**	₱	100,000	₱	80,000
Tax benefit at 25% and 30%, respectively		**44,643**		25,000		24,000
Effect of non-recognition of deferred tax on net operating loss carry-over		**(44,643)**		(25,000)		(24,000)
	₱	-	₱	-	₱	-

Details of NOLCO are as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2019	₱	80,000	₱	-	₱	-	₱	80,000	₱	-	2022
2020		80,000		-		-		-		80,000	2023
	₱	**160,000**	₱	-	₱	-	₱	**80,000**	₱	**80,000**	

Details of NOLCO covered by Revenue Regulations No. 25-2020 is as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2021	₱	100,000	₱	-	₱	-	₱	-	₱	100,000	2026
2022		178,571		-		-		-		178,571	2027
	₱	**278,571**	₱	-	₱	-	₱	-	₱	**278,571**	

The Bureau of Internal Revenue (BIR) has issued Revenue Regulations (RR) 25-2020 to inform all concerned on the longer period for claiming NOLCO from taxable years 2021 and 2022.

Pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive taxable years following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three consecutive years only.

Management believes that the Company will not generate sufficient taxable profit to allow all or part of its deferred tax asset to be utilized. The Company's unrecognized deferred tax asset from NOLCO amounted to ₱89,643 and ₱65,000 as of June 30, 2022 and 2021, respectively.

13. BASIC LOSS PER SHARE

The Company's basic loss per share is nil in 2022, 2021and 2020.

		2022		2021		2020
a. Net loss from operations/ attributable to ordinary equity holders of the Company for earnings	₱	**(178,571)**	₱	(100,000)	₱	(80,000)
b. Weighted average number of ordinary shares for the purposes of earnings per share		**3,936,596,600**		1,659,380,000		93,755,000
c. Earnings per share (a/b)		**(0.00)**		(0.00)		(0.00)

The weighted average number of ordinary shares for the periods 2022, 2021 and 2020 used for the purposes of basic earnings per share were computed as follows:

	Number of Ordinary Shares	**Proportion to Period**	**Weighted Average**	**Total**
June 30, 2022				
Outstanding shares at the beginning of the period	**3,225,005,000**	**6/12**	**1,612,502,500**	**1,612,502,500**
Outstanding shares at the end of the period	**4,648,188,200**	**6/12**	**2,324,094,100**	**2,324,094,100**
				3,936,596,600
June 30, 2021				
Outstanding shares at the beginning of the period	93,755,000	6/12	46,877,500	46,877,500
Outstanding shares at the end of the period	3,225,005,000	6/12	1,612,502,500	1,612,502,500
				1,659,380,000
June 30, 2020				
Outstanding shares at the beginning and end of the period	93,755,000	12/12	93,755,000	93,755,000

14. FAIR VALUE MEASUREMENT

14.01 Fair Value of Financial Assets and Liability

The carrying amounts and estimated fair values of the Company's financial assets and liability as of June 30, 2022 and 2021 are presented below:

		June 30, 2022				June 30, 2021		
		Carrying Amounts		**Fair Values**		Carrying Amounts		Fair Values
Financial assets:								
Cash	₱	**2,183,916**	₱	**2,183,916**	₱	-	₱	-
Advances to related parties		**718,900,455**		**718,900,455**		67,872,936		67,872,936
	₱	**721,084,371**	₱	**721,084,371**	₱	67,872,936	₱	67,872,936
Financial liability:								
Accrued professional fee	₱	**580,800**	₱	**580,800**	₱	380,800	₱	380,800

The fair values of other financial assets and financial liabilities are determined as follows:

- Due to short-term nature and demand features, Management believes that the carrying amounts of cash, advances to related parties and accrued professional fee approximate their fair values due to either the demand feature or relative short-term duration of these asset and liability.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including currency risk, fair value interest rate risk, credit risk and liquidity risk.

15.01 Credit Risk Management

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risks from advances to stockholders, all at amortized cost.

The Company considers the following policies to manage its credit risk:

➢ Advances to related parties

The Company transacts with creditworthy stockholders. The Company assesses the current and forecast information of the counterparty's industry and the macro-economic factors such as GDP rate, inflation rate and foreign exchange rate to determine the possible impact to the counterparty.

Financial asset measured at amortized cost pertaining to advances to related parties amounted to ₱718,900,455 and ₱67,872,936 as of June 30, 2022 and 2021, respectively.

The calculation of allowance for expected credit losses are based on the following three (3) components:

- Probability of Default (PD)

  PD is the likelihood over a specified period, usually one year that a counterparty will not be able to make scheduled repayments. PD depends not only on the tenant's characteristics, but, also on the economic environment. PD may be estimated using historical data and statistical techniques.

- Loss Given Default (LGD)

  LGD is the amount of money a Company loses when a tenant defaults on a contract. The most frequently used method to calculate this loss is by comparing the actual total losses and the total amount of potential exposure sustained at the time that a contract goes into default. In most cases, LGD is determined after a review of a Company’s entire portfolio, using cumulative losses and exposure for the calculation.

- Exposure at Default (EAD)

  EAD is the total value a Company is exposed to when a loan defaults. It refers to the gross carrying amount of financial asset.

Below is the summary of computation of allowance for expected credit losses in 2022 and 2021:

		June 30, 2022			
	PD rate	**LGD rate**		**EAD**	**ECL**
	a	**b**		**c**	**d=a*b*c**
Advances to related parties	**0.00%**	**100.00%**	**₱**	**718,900,455**	**-**
		June 30, 2021			
	PD rate	LGD rate		EAD	ECL
	a	b		C	d=a*b*c
Advances to related parties	0.00%	100.00%	₱	67,872,936	-

Advances to related parties

The Company determined the probability of default rate by considering the credit ratings, credit history and forecast of macro-economic factors affecting the food and restaurant industry. The probability of default rate is estimated to be nil.

Loss given default rate is 100% because the Company expects to lose the whole amount in case of default.

Exposure at default is equal to the gross carrying amount.

15.02 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted Average Effective Interest Rate		Within One (1) Year
June 30, 2022			
Accrued professional fee	-	**₱**	**580,800**
June 30, 2021			
Accrued professional fee	-	₱	380,800

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate		On demand
June 30, 2022			
Cash	-	**₱**	**62,229**
Advances to related parties	-		**718,900,455**
	-	**₱**	**718,962,684**
June 30, 2021			
Advances to related parties	-	₱	67,872,936

16. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Management reviews the capital structure of the Company on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Company has a target gearing ratio of 1:1 determined as the proportion of debt to equity.

		2022		2021
Debt	₱	**580,800**	₱	380,800
Cash		**2,183,916**		-
Net Debt		**(1,603,116)**		(380,800)
Equity		**1,162,131,364**		509,098,500
Debt to equity ratio	₱	**0.00:1**	₱	0.00:1

The Company's liabilities are composed of accrued professional fee as disclosed in Note 9. The Company's equity is composed of capital stock, additional paid-in capital and deficit.

17. APPROVAL OF SEPARATE FINANCIAL STATEMENTS

These separate financial statements were approved and authorized for issuance by the Board of Directors on October 12, 2022.

18. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 15–2010

The Bureau of Internal Revenue (BIR) released a revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Financial Statements. Below are the disclosures required by the said Regulation:

18.01 Taxes and Licenses Paid or Accrued

The Company has not paid or accrued taxes and licenses during the taxable period.

18.01.01 Documentary Stamp Tax

The amount of documentary stamp tax paid relating to the initial public offering amounted to ₱7,673,865.

18.01.02 Deficiency Tax Assessments and Tax Cases

No deficiency tax assessments and tax cases during the period.

19. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATIONS NO. 19–2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below is the disclosure required by the said Regulation:

19.01 Itemized Deduction

The Company's itemized deduction which pertains to professional fees amounted to ₱178,571 during the taxable year.

REPORT ON THE SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
FIGARO COFFEE GROUP, INC.
116 E. Main Avenue, Phase V, SEZ Laguna Technopark
Binan, Laguna

We have issued our report dated October 12, 2022 on the basic separate financial statements of **FIGARO COFFEE GROUP, INC.** as of and for each of the three years in the period ended June 30, 2022. Our audit was conducted for the purpose of forming an opinion on the basic separate financial statements of **FIGARO COFFEE GROUP, INC.** taken as a whole. The information in the index to the separate financial statements for the period ended June 30, 2022, which is not a required part of the separate financial statements, is required to be filed with the Securities and Exchange Commission. Such information is the responsibility of the Management of **FIGARO COFFEE GROUP, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until May 28, 2024
SEC Group A Accredited
Accreditation No. 0300-SEC
Valid until 2024 audit period
BSP Group B Accredited
Accreditation No. 0300-BSP
Valid until 2026 audit period
BIR Accreditation No. 08-007679-000-2020
Valid from February 24, 2020 until February 23, 2023

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group A Accredited
Accreditation No. 86071-SEC
Valid until 2024 audit period
BIR Accreditation No. 08-004744-001-2021
Valid from January 25, 2021 until January 24, 2024
Tax Identification No. 109-227-897
PTR No. 8855247
Issued on January 5, 2022 at Makati City

October 12, 2022